



**Testimony of Marie S. Nahikian, Executive Director
Queens County Overall Economic Development Corporation**

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**Public Meeting of
Federal Reserve Bank of New York
on**

Proposal by Traveler's Group Inc. to Acquire Citicorp

June 26, 1998

The Queens County OEDC, created in 1978, has a central focus to increase economic opportunity for the residents of Queens County. This requires Queens County to maintain multiple roles in the economic life of the an area that is home to probably the Nation's most diverse population, that is equal in size to the fourth largest city in the United States.

Our mission cannot be met without close working relationships with sources of national and international capital. QCOEDC works with over 75 financial institutions. How we work with these institutions can best be summed up in one word - selling. QCOEDC sells Queens locations, neighborhoods, business owners, entrepreneurs and residents as good investments. The interest in our "sales pitch" varies, but one important fact is critical. The Community Reinvestment Act causes these institutions to listen.

Citicorp and its affiliates, such as Citibank listens very closely to QCOEDC and our colleagues who are economic developers. We have been fortunate in having the direct participation of Citibank in our work for the past 10 years. Many Citibank employees are civic leaders and residents of Queens. Citibank and Citicorp have been visible and active corporate leaders in the Queens community. Queens County OEDC is a Citibank customer; however, we have not been a Citibank borrower.

Citibank has directly participated in the Queens County OEDC in the following ways:

- *lending* - to small business clients;
- *financial supporter* - since 1992, the Citibank Foundation has provided \$92,500 in corporate philanthropic support for projects and programs;
- *providing technical support* - Citibank corporate officials have served as volunteer members of our Board of Directors, providing lending and technical advice to small business owners, many of whom are minority and women-owners. Citibank real estate lenders have assisted with the development of a commercial retail space in at-risk communities.



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The question that is posed by the proposed acquisition of Citicorp by The Travelers Group is harder, however. After listening to community developers, will there be action?

Action is another way of defining the purpose of this public hearing.

What actions have been taken or are proposed to meet the credit needs of the new corporate institution's entire community that is consistent with the safe and sound operation of the institution.

The fact that we have almost no experience with The Travelers Group in Queens County is an important factor. The issues of the availability of insurance products and the cost/risk analysis that translates into higher premiums in a place like Queens County is well known. On a hopeful note, we believe The Travelers Group can learn from Citicorp: investing in our communities is good business and profit does not need to come from higher costs charged for a perception of higher risk. More information is needed about the potential for a bank holding company to conduct nonbanking activities. If access to affordable products is available, these "nonbanking activities" can produce significant benefits to our community. For example:

- investment, health & retirement products for non-profits and specific groups of individuals, such as low and moderate income families who can rarely afford such services;
- local recruitment for training & employment opportunities.

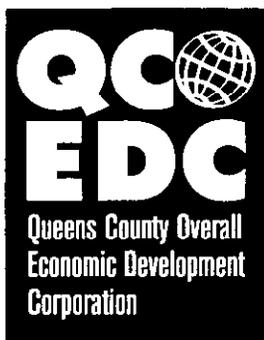
Strategy to Invest \$6 billion in Community Development

Citibank's participation in Queens County has been significant. The commitment to increase lending and support for community economic development from the current level of \$136 million to \$6 billion over the next 10 years should mean that the impact of will be even larger. The commitment is a major challenge.

- We believe that implementation strategies with community development partners must begin immediately.
- In order to move \$6 billion into community development, additional corporate resources, staff and support will be necessary. In Queens County, some of the \$6 billion commitment must be made in increments of \$5000, a loan considered not cost-effective, but critical to the growth of entrepreneurs.
- We urge the strategy to include use of community development intermediary and technical assistance providers which have a knowledge of local communities. This may be the only way that resources will get to Cambria Heights, Maspeth or Sutphin Boulevard.

Create an Investor Environment

Over the last 15 years, an entirely new "investment" strategy has increased the production of affordable housing in this country. In New York City, alone, thousands of families



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how live in housing built, in part, because of corporate investment. The economic concept of “creating value” in the market place, where none previously existed by coupling investment to tax credits is a strategic way of rebuilding and revitalizing communities.

This allowed investors to analyze a return differently and mitigated the traditional discussion of underwriting “risk.” I can fondly recall structuring a North Philadelphia non-profit housing development in 1986 to include one of the first investments in affordable housing ever made by Fannie Mae. None of us at the table were absolutely sure what this investment should look like on paper.

The same economic concept must be used in economic development. Small business owners, and in particular minority and women-owners rarely have the luxury of considering an “investment.” Most financial institutions cannot mitigate the risk of “start-up” businesses or an operation that needs to expand and grow, but cannot show the appropriately-defined “equity.”

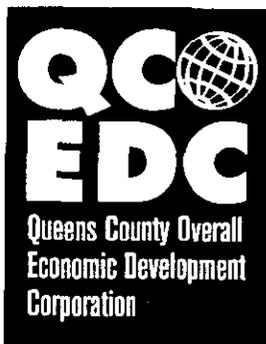
The combination of The Travelers Group, with its investment history, and Citicorp can meet this need. Some suggestions include:

- risk analysis that includes non-traditional equity, such as labor, family co-signers or intellectual property;
- developing a secondary market for small business loans, using a pooled risk concept;
- Federal, state and local tax credits for corporate investors in businesses or commercial real estate development in low and moderate income communities; creating a relationship between insurance premium volume and community investment products.

Is a \$6 billion commitment enough?

In a word, no. Is it significant? Yes. A quick case in point: QCOEDC is a 60% limited partner that owns a commercial shopping plaza that provided some of the earliest “chain store” services (Walgreens, Domino Pizza, Blockbuster) to the Hollis neighborhood near Jamaica, Queens. Last year, QCOEDC set aside \$25,000 of the income from this project to create the Queens Neighborhood Access Fund. The stated purpose of the fund is to take some risks by investing in new projects that may not yet have all of the bells and whistles. Is the \$25,000 enough? No, but it is significant, equal to almost 15% of the total net income we have received and significant because of the manner in which it can be used.

We will be glad to advise The Travelers Group and Citicorp on the how we the Board of Directors deliberated on making this commitment. Fifteen percent of their net income invested, not just loaned, could alter the economic future of several Queens Counties.



July 1, 1997 - June 30, 1998: Program Activity
Outreach: Services, Information, Technical Assistance

Direct Technical Assistance and/or Information & Data Provided: 56 Groups

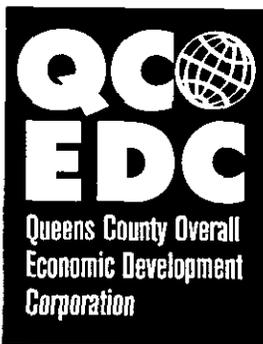
Hon. Jeff Aubry	Jackson Heights CDC	SE Queens Clergy
Cambria Heights Merchants	EDC of St. Albans	College Point Bd. of Trade
Richmond Hill South Civic Assoc.	Rego Park Merchants	BCD Day Care
Langston Hughes Library	Neighborhood Housing Services	
Greater Jamaica Develop. Corp	Ridgewood LDC	
Sunnyside Community Services	Maspeth Merchants Elmcors Youth & Adult Services	
Pomonoc Neighborhood House	Rockaway Merchants	Astoria Restoration
Muslim Economic Develop. Inc.	Friends of Sutphin Merchants	Sutphin LDC
Bellerose Merchants	Kew Gardens Merchants	Hollis LDC
Community Boards 3, 9, 10, 12, 14	Unisource, Inc.	FOB Transport
National Envelope	St. John's University	Bell Atlantic
Corona Bus. Corp (Merchants)	College Point Residents	Ramada Inn
Fleet Bank-SE Queens branches	Queens Library: Merrick Blvd. & Far Rockaway	
Metropolitan Ave. Chamber	Flushing Merchants	
Forest Hills Chamber of Commerce		Business Links, NYC
St. Albans Chamber of Commerce	Catholic Charities-SE Queens	Queens Urban League
SE Queens Coalition for Children	Venture 2000 Grp-Liberty Ave.	Gujarati Samaj
Laurelton Ave. Merchants	Pan Macedonian LI-Queens	SCORE
Auto Repair Shop Association-Queens & Long Island		
Black Women Enterprise Caribbean American Chamber of Commerce		

Events: 9

Getting Down to Business Conference - April 1997 & April 1998
 EAP Graduation - March 1997, April 1998
 Neighborhood Development Initiative Breakfast - June, 1997
 Business Start-Up Breakfast (with Queens Business TA providers)- October 1996
 Hispanic Business Congress of Queens - October, 1997
 Queens Neighborhood Development Initiative - announcement - November, 1997
 EAP Registration, Open House - January, 1998
 Queens Hospital Center Contractor Fair - March, 1998
 Congressman Meeks & SE Queens Community Development Grps Priority Briefing - April, 1998

Publications: Queens Access-Business Information Service of Queens County: 7

QCOEDC Brochure, including Business Services Insert
 "Minding Your Own Business" (English & Spanish)
 Loans for Queens Business
 Guide to Incentives for Business
 QUEENS COUNTY, USA - marketing newsletter
 Queens Quarterly - newsletter for local development corporations



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Herman D. Smith	Regional Director, Queens Hospital Center
Meilin Tan	President, Henri-Lynn Realty Inc.

George McDonald
The Doe Fund, Inc.
Public Meeting Regarding Citicorp and Travelers Group
Friday, June 26, 1998

Written Testimony for the Federal Reserve Bank of New York

I gladly volunteered to testify before you today regarding the many years of support that Citibank has offered The Doe Fund and the confidence I have that Citibank will continue its commitment to our work well after the merger with Travelers.

The mission of The Doe Fund is to empower formerly homeless individuals to work and to realize their potential to live as responsible, productive and self-sufficient individuals. In 1990 The Doe Fund launched *Ready, Willing & Able*, an innovative work and job skills training program which provides homeless participants with meals, housing, social support services, basic educational training and above all, paid work opportunities. Since its inception, the program has helped over 500 individuals to secure full-time employment and permanent housing and to achieve lives of productivity and independence.

The Doe Fund's original *Ready, Willing & Able* residence is located in Bedford-Stuyvesant, Brooklyn. In 1996 The Doe Fund expanded the program to the formerly city-operated Harlem Men's Shelter and on May 4th of this year, The Doe Fund launched a *Ready, Willing & Able* program in Jersey City, New Jersey. The Doe Fund also operates a *Ready, Willing & Able* program in Washington, D.C. Today The Doe Fund serves over 800 formerly homeless men and women annually and *Ready, Willing & Able* stands as a model welfare to work program for homeless service providers nationwide.

The success and expansion *Ready, Willing & Able* has experienced over the years would not be possible without the support and guidance of Citibank. In 1991, shortly after The Doe Fund opened the doors of its first *Ready, Willing & Able* residence, Vice President and Director of Corporate Contributions Mr. Paul Ostergard and several Citibank colleagues visited the program. Impressed by the program's work-based philosophy and recognizing the great need and potential among our city's homeless population Citibank awarded The Doe Fund a grant of \$5,000 and expressed a sincere interest in developing a relationship with what was then a fledgling organization.

Since that first visit, Citibank has provided The Doe Fund with annual grants in support of *Ready, Willing & Able*, which in total exceed \$50,000. Citibank employees also frequently make matching gifts to support our work and one employee, Ms. Peggy Cohen, a Vice President of Private Banking, has served on The Doe Fund's Board of Directors since 1995. Ms. Cohen, who served as Chairperson of our Board from 1996-1997 has tirelessly given of her time and energy in support of our work.

In addition to financial support, over the years Citibank has generously provided banquet rooms in its corporate headquarters for Community and Board of Directors meetings. Last spring, Citibank hosted a Community Breakfast for prospective individual and foundation donors which resulted in a grant in the amount of \$75,000 from a local family foundation.

Most recently, the Citicorp Foundation has awarded The Doe Fund a grant of \$10,000 in support of a revenue-generating shoe making business, Harlem Shoemakers, Inc. With the help of internationally renowned shoe designer, Mr. Joseph Famolare, The Doe Fund is working to open a shoe factory in Harlem. Harlem Shoemakers will employ low-income Harlem residents, graduates and trainees of *Ready, Willing & Able*. The business will provide valuable work experience and generate revenue for The Doe Fund's *Ready, Willing & Able* program. Citibank's support of this innovative business endeavor demonstrates its insight into the current climate, which demands that non-profits must work to curtail reliance on public funding sources. In addition to the recent grant award, Citibank is currently considering making a loan of \$500,000 in support of this business endeavor.

Given the relationship The Doe Fund has built with Citibank and its proven commitment to improving the community which they serve, I have every reason to believe the pledge they have made to me and my colleagues that their support of our work will continue after the merger with Travelers.

Testimony of Fredy Espailat, Academy of Finance Student Federal Reserve Board Hearing on Travelers/Citicorp Merger

Good morning, ladies and gentlemen, my name is Fredy Espailat and I am a graduate of the Academy of Finance at Brandeis High School in New York City.

Last summer, I had what I felt was the opportunity of a lifetime. I applied to Salomon Smith Barney for a summer internship they sponsor as part of the Academy of Finance program. I sent in my resume, was interviewed for the position and was placed in the high net worth department at Salomon Smith Barney.

This was my first job in the real world and everyone at Salomon Smith Barney made me feel like I was a part of the organization. My supervisor, Tina Monahan, took me out to lunch at least once a week and gave me many responsibilities.

I worked on the computer inputting data into the data base. I updated client portfolios and I was included in daily department meetings.

My internship at Salomon Smith Barney taught me the value of teamwork, punctuality, and gave me the ability to network with coworkers

I feel all of these things will help me to build a better future.

In addition, I feel that my internship greatly advanced my computer skills which will help me when I go either to Baruch College or DeVry Institute where I plan to study computer programming and business management.

I don't believe that I would have had the opportunity to do any of these things if Sandy Weill and Travelers Group did not create these opportunities for the students in the Academy of Finance.

In conclusion, I would like to say that I believe that the expansion of Travelers Group will make even more internship opportunities for many more students in the Academy of Finance program. Thank you very much for the chance to speak to you today.



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June 26, 1998 Public Meeting

Good Morning, My name is Margaret Chin; I am the executive director of Asian Americans for Equality Fair Housing Center (FHC). I am also speaking on behalf of our affiliates, Asian Americans for Equality (AAFE) and Renaissance Economic Development Corporation (REDC).

AAFE is a community-based, non-profit organization founded in 1974 to advocate for equal opportunities for minorities. We are located in the Chinatown, Lower East Side and Flushing Queens. Serving an estimated 20,000 people annually, AAFE's programs and services include housing development, homeownership, housing rights, entitlement services counseling, citizenship counseling, civil rights, economic development and technical assistance. AAFE has been actively advocating for greater community reinvestment by banks since its inception in the 70's.

Through our affiliate organization established in 1995, the Asian Americans for Equality Fair Housing Center, we conduct education and outreach, testing and assist in the filing of complaints in the areas of Fair Housing and Lending to Asian communities in all five boroughs. Another affiliate organization, the Renaissance Economic Development Corporation is a federally certified Community Development Financial Institution (CDFI), with a loan pool of approximately \$1 Million to conduct lending through out the five boroughs in concentrated areas of Asian and Latino immigrant communities.

I would like to make you more aware of the specific needs of the Asian community generated by cultural and linguistic differences, the impact of the Community Reinvestment Act on the Asian American community and about specific ways in which CRA can be strengthened to benefit low income and minority communities.

Asian Americans are the fastest growing population in both the United States and New York City. The number of Asian Americans in New York City has doubled from 1980 to 1990 from 3% to 7% of the City's population, accounting for nearly half a million people. By the year 2000, Asians are expected to compose over 10% of New York City's population.

Today, the diversity of the Asian Pacific American community is represented by over two dozen nationalities, each with its distinct language, religion and culture; its distinct challenges and potential. Two out of three of us were born in our native countries, and the majority of those who chose to come here, have some difficulties with language and its dominant cultures. The staggering four-fold growth, in the past 20 years, of the Asian Pacific American population, has spawned many challenges in its wake. The APA community live in one of the most densely populated areas in the nation. In New York City's Chinatown, there are 189 persons per acre. Other areas of the city have only 37 per acre. This density is accurately reflected in the fact that

in Chinatown, 2 or 3 families often live together in a single apartment. 95% of the housing stock in Chinatown predates 1939, exacerbating the lack of services and investment by the larger community.

To get a true representation of the Asian Pacific American population, we must go beyond just the numbers. We represent the most "urban" of any sub-population group, with an overwhelming majority, in the low-income inner-city neighborhoods of metropolitan areas around, Los Angeles, San Francisco, Seattle, Chicago, San Antonio, and New York.

The Asian community is a "savers' community", the increased population brought tremendous deposits into banks operating in Asian concentrated enclaves. In Chinatown alone the deposits total \$ 4 billion. But most banks do not have mortgage officers who speak Asian languages. Also Chinatown landlords are unable to access affordable financing for building improvements. This lack of capital allows for extensive housing deterioration, causing dangerous conditions that lead to fires, deaths, and homelessness. Chinatown's housing stock is among New York City's oldest and has some of the most run down conditions.

According to a letter published by Ming Pao Daily News in August of 1997, APAs exhibit the lowest rate of homeownership in the nation among all groups. The letter cites the national homeownership rate as 64.7%. Among Whites the rate is 70.8%; Women at 49.5%; African Americans at 44%; Latinos at 43.9%; and Asians at 42%. These national rates of homeownership are comparable to the trends in New York City and the metropolitan region. Despite this low percentage, recently, there has been an increasing movement in the APA community for low-income families to become homeowners.

AAFE has found that homeownership is an important vehicle for APAs to enter mainstream society and to improve local communities. The lack of APA homeownership is caused by a dire lack of information about homeownership and access to credit and its related benefits available to the local communities. To overcome these obstacles, Asian Americans for Equality has led a multipronged effort to meet the challenges of the APA community. Our work to meet the challenges of the language and cultural barriers has resulted in unprecedented successes, accounting for more awareness and access to mainstream services.

In 1986, AAFE developed the first ever, housing development project to utilize the federal Low Income Housing Tax Credit program, launching a public/private partnership that continues to gain steam today. In the past ten years AAFE has raised over \$40 million to develop 400 units of affordable housing for senior citizens, homeless and low-income families throughout New York City. Working in partnership with HUD, Fannie mae, and major banks AAFE has been able to counsel and access over \$50 million of affordable mortgages for over 500 families. AAFE's community building efforts represent a multi-racial, multi-ethnic effort to build strong communities.

AAFE has a long history of partnership with Citibank. Citibank holds the largest proportion of AAFE's financial businesses. AAFE is one of Citibank's Partners in Progress, which contributes to AAFE's housing development on the Lower East Side. We have seen Citibank take a leadership position in serving the Asian American community in the delivery of retail products,

but we encourage Citibank to deepen its commitment to economic and community development to the Asian American community in the New York Metropolitan area and in Citibank's other major service areas. AAFE looks to continue to work with Citibank to deepen their investments and activities with the Asian American and other immigrant and minority communities.

Focusing on such initiatives as:

Partnering to provide long term credit (30years terms -Vs- the typical 10-year term) for investment in New Construction; such as new in-fill housing throughout the Lower East Side. Today, AAFE alone needs over 10 million in long term equity to continue our rate of development. More would be needed to meet the needs, or to spur greater activity on a national level.

Partnership to spur community development and homeownership initiatives with the Asian American community on a national level. Co-sponsoring national economic development summits for the Asian American community; or co-sponsoring technical assistance workshops to increase the development capacity of community groups.

Partnership with other organizations and AAFE to create a Community Advisory Group to provide input directly to Citibank on local and national issues that affect low and moderate and minority communities.

Provide more multi-year capacity building grants to stabilize and expand the work of non-profit partners who have been forced to fill the void of shrinking government resources to spur economic growth in our communities.

In this time of mega merger we expect Citibank to expand its role in providing financial services and spurring economic and community development within the communities they serve especially the low and moderate income, immigrant and minority communities. It will be a big challenge but continuing to work with community groups who understand the needs can make the difference.

Thank you.